

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3698-05
BILL NO.: SCS for HB 1452
SUBJECT: Taxation and Revenue-Income
TYPE: Original
DATE: May 3, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(Unknown) to (\$2,000,000)	(Unknown) to (\$2,000,000)	(Unknown) to (\$2,000,000)
County Foreign Insurance	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	(Unknown) to (\$2,000,000)	(Unknown) to (\$2,000,000)	(Unknown) to (\$2,000,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0 to (\$1,000,000)	\$0 to (\$1,000,000)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

FISCAL ANALYSIS

ASSUMPTION

SECTIONS -143.127- 208.750-HOLOCAUST REPARATIONS EXEMPTION

Officials of the **Department of Revenue (DOR)** state this legislation allows a subtraction from Missouri adjusted gross income for amounts received as reparations or restitutions by the victims of Nazi persecution, for returns of tangible or intangible property seized or lost as a result of Nazi actions, for payments of insurance policies purchased by victims of Nazi persecution and for any accumulated or accrued interest on such amounts, returns or payments. This subtraction is effective January 1, 2000.

The number of taxpayers eligible for this subtraction is unknown at this time. The Division of Taxation will need one temporary tax season employee (a cost of \$6,067) for every 260,000 returns filed with this subtraction and one Tax Processing Tech I for every 3,000 pieces of correspondence received regarding the subtraction. The Division of Taxation will also need one Tax Processing Tech I for every 30,000 errors generated by this legislation.

This legislation will require modifications to the individual income tax system. The Division of Taxation estimates these modifications, including programming changes, will require 1,384 hours of overtime at a cost of \$41,617. Modifications to the income tax returns and schedules will be completed with existing resources. State Data Center charges will increase due to the additional storage and fields to be captured. Funding in the amount of \$9,007 is requested for implementation costs and \$4,243 for on-going costs.

Officials of the **Department of Social Services (DOS)** state this proposal would duplicate part of an existing program. Per PL 103-286 (H.R. 1873); August 1, 1994 entitled "Nazi Persecution Victims Eligibility Benefits". Section 1 (a) states "In General - Payments made to individuals because of their status as victims of Nazi persecution shall be disregarded in determining eligibility for and the amount of benefits or services to be provided under any Federal or federally assisted program which provides benefits or services based, in whole or in part, on need."

This proposal states amounts received by, and returns and payments to, an individual shall not be considered income, resources or assets when determining the amount of, or eligibility for, any public assistance, benefit, entitlement or tax relief to such individual pursuant to any state or state assisted program.

Since Nazi reparations are currently disregarded when determining eligibility for any federal or

ASSUMPTION (continued)

federally-assisted programs, typically the same exclusionary process would be applicable in instances such as in this proposal, where no state laws exist. DOS assumes this proposal would not fiscally impact their agency.

Oversight assumes, for purposes of this fiscal note, that the number of taxpayers eligible for this subtraction is unknown. The amount of the reparation or restitution is unknown. Therefore, Oversight will reflect the revenue impact of this portion of the proposal as an unknown loss to the General Revenue Fund.

SECTION 1- UNPLANNED PREGNANCY RESOURCE CENTERS

Officials of the **Department of Revenue (DOR)** state this portion of the legislation authorizes a tax credit equal to 50% of a taxpayer's contribution to an unplanned pregnancy resource center, not to exceed \$50,000 per taxable year. The tax credit is non-refundable, but can be carried over to the next four succeeding years. In order to receive the credit, the taxpayer's contributions must have a value of \$100 or more. The Director of the Department of Social Services will determine annually which facilities in this state qualify as an unplanned pregnancy resource center. Each unplanned pregnancy resource center is to provide Social Services with the identity of each taxpayer making a contribution and the amount of the contribution. Social Services will provide that information to the Department of Revenue.

The number of taxpayers eligible for this credit is unknown at this time. The Division of Taxation, Personal Tax Bureau will need one Tax Processing Technician I for every 2,000 new credits claimed per year (processing) and one Tax Season Temporary for every 130,000 credits claimed per year (key entry). Also, one Tax Processing Technician I will be needed for six months for every 30,000 additional individual income tax errors generated from this legislation and one Tax Processing Tech I for every 3,000 pieces of correspondence generated from this legislation. The Business Tax Bureau will need one Tax Processing Tech I for every 3,680 credit claims received on corporate tax.

This legislation will require modifications to the income and corporate tax systems and credit application system. The Division of Taxation estimates these modifications, including programming changes, will require 1,384 hours of contract labor, at a cost of \$41,617. Modifications to the income tax return and schedules will be completed with existing resources. State Data Center charges will increase due to the additional storage and fields to be captured. Funding in the amount of \$9,007 is requested for implementation costs and \$451 will be needed for on-going costs.

ASSUMPTION (continued)

Officials of the **Department of Social Services, Division of Budget and Finance (DBF)** state

this portion of the proposal would authorize state tax credits for contributions to qualified unplanned pregnancy resource centers in this state. This portion of the proposal would create additional responsibilities for the Division of Budget and Finance (DBF). It is assumed that DBF staff would be responsible for determining which facilities meet the provisions of this portion of the proposal. DBF would also be responsible for establishing procedures to equitably allocate credits to qualifying resource centers. The cumulative amount of tax credits allowable in any fiscal year is \$2,000,000. DBF staff would perform an initial allocation of the credits at the beginning of each fiscal year then redetermine the apportionment of the unused credits to ensure maximum use of the credits.

The number of staff requested is a function of the number of participating facilities. Based on a telephone conversation with Missouri Right to Life staff, there are between 50 and 100 such facilities which would meet the criteria of this proposal. Based on a midpoint estimate of 85 facilities, DBF could perform the requirements of the legislation with one FTE. If the number of facilities wishing to be classified as unplanned pregnancy resource centers exceeds this amount, additional staff may be needed.

Officials of the **Department of Insurance (INS)** state this portion of the proposal would grant tax credits against an insurer's premium tax payments (chapter 148 RSMo.) for contributions to Unplanned Pregnancy Resource Centers. There are approximately 300 domiciled insurance companies in Missouri which pay premium tax to the state. There are over 1,800 insurance companies licensed to conduct business in the state. For purposes of estimating fiscal impact, the INS anticipates that only domiciled companies would contribute. Credits would be capped at \$50,000 per year. A range of \$0 to \$2,000,000 is projected for decreased payments.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
GENERAL REVENUE FUND			
<u>Loss to General Revenue Fund</u>			
Reparations Exemption	(Unknown)	(Unknown)	(Unknown)
<u>Loss to General Revenue Fund</u>			
Tax credits for contributions made to			
Unplanned Pregnancy Resource	<u>\$0 to</u>	<u>\$0 to</u>	<u>\$0 to</u>
Centers	<u>(\$2,000,000)</u>	<u>(\$2,000,000)</u>	<u>(\$2,000,000)</u>
ESTIMATED NET EFFECT TO			
GENERAL REVENUE FUND	<u>(Unknown) to</u>	<u>(Unknown) to</u>	<u>(Unknown) to</u>
	<u>(\$2,000,000)</u>	<u>(\$2,000,000)</u>	<u>(\$2,000,000)</u>

L.R. NO. 3698-05
 BILL NO. SCS for HB 1452
 PAGE 5 OF 6
 May 3, 2000

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
COUNTY FOREIGN INSURANCE FUND			
<u>Loss to County Foreign Insurance Fund</u>			
Tax credits for contributions made to Unplanned Pregnancy Resource Centers	\$0	\$0 to (\$1,000,000)	\$0 to (\$1,000,000)
<u>Savings - County Foreign Insurance Fund</u>			
Reduced distributions to School Districts	\$0	\$0 to \$1,000,000	\$0 to \$1,000,000
ESTIMATED NET EFFECT TO COUNTY FOREIGN INSURANCE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
<u>Loss - School Districts</u>			
Reduced distributions from County Foreign Insurance Fund	<u>\$0</u>	<u>\$0 to</u> <u>(\$1,000,000)</u>	<u>\$0 to</u> <u>(\$1,000,000)</u>

FISCAL IMPACT - Small Business

Small businesses would be expected to be fiscally impacted to the extent that they would make contributions to unplanned pregnancy resource centers and receive tax credits.

DESCRIPTION

This bill allows the following as a deduction for state individual income tax and allows an individual to not include them in determining eligibility for any public assistance, benefit, entitlement, or tax relief: (1) All amounts received as reparations or restitution for loss of liberty or life or damage to health by the victims of National Socialist (Nazi) persecution; (2) Returns of tangible or intangible property seized, misappropriated, or lost as the result of National Socialist

L.R. NO. 3698-05
BILL NO. SCS for HB 1452
PAGE 6 OF 6
May 3, 2000

(Nazi) actions or policies and any cash values in replacement of the property; (3) Payments of insurance policies purchased by the victims of National Socialist (Nazi) persecution; and (4) Any accumulated or accrued interest on the above amounts, returns, or payments. To qualify for the income tax deduction, the taxpayer must be the actual victim, spouse, or descendant of the victim of National Socialist (Nazi) persecution. These provisions will apply to tax year 2000 and thereafter.

This proposal would also allow a tax credit for persons contributing to unplanned pregnancy resource centers. Section 1 defines "unplanned pregnancy resource center" as one that provides free assistance in the event of an unplanned pregnancy but does not perform childbirths or abortions and is tax exempt. If a taxpayer would contribute at least \$100, then he or she may take a tax credit of up to fifty percent of the amount contributed to a resource center. The credit may not exceed \$50,000 in a year and any amount exceeding the taxpayer's state tax liability may be carried over for four years. Each year, the director of the Department of Social Services would determine which facilities are unplanned pregnancy resource centers and may request information in order to determine this status. The cumulative amount of tax credits claimed due to contributions may not exceed two million dollars in any fiscal year. The director would have the authority to reallocate tax credits among unplanned pregnancy resource centers, if necessary. Each resource center would provide to the Department of Revenue the identity of each taxpayer who has contributed to the center and the amount of the contribution. This proposal would become effective January 1, 2001 and would apply to all taxable years after December 31, 2000.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Department of Social Services
Department of Insurance



Jeanne Jarrett, CPA
Director
May 3, 2000